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SANTEE COOPER SCREENING  
SUBCOMMITTEE

QUESTIONING OF APPOINTEES  
BY COMMITTEE MEMBERS

COPY

WEDNESDAY, MARCH 25, 2009  
ROOM 407, GRESSETTE BUILDING  
COLUMBIA, SOUTH CAROLINA  
COMMENCING AT 11:16 A.M.

REPORTED BY: SHERI L. BYERS,  
REGISTERED PROFESSIONAL REPORTER

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1 MEMBERS IN ATTENDANCE:

2 SENATOR LUKE A. RANKIN, SR.

3 REPRESENTATIVE HARRY L. OTT, JR.

4

5 COUNSEL PRESENT:

6 NANCY V. COOMBS, CHIEF COUNSEL

7 ANDREW T. FIFFICK, IV, COMMITTEE COUNSEL

8 HEATHER ANDERSON, COMMITTEE COUNSEL

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14 (INDEX AT REAR OF TRANSCRIPT)

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1           SEN. RANKIN: Ladies and gentlemen, welcome,  
2     and I apologize for the delay in getting started. But  
3     we are going to talk about and visit with each  
4     candidate that the governor has handed up for  
5     consideration on the Santee Cooper board.

6           So with that, Nancy will give us a little  
7     background of where we are, the statute that we passed  
8     some years back and the qualifications that these folks  
9     must possess for us to consider.

10          MS. COOMBS: Mr. Chairman, we have four  
11     appointments today. Three are initial appointments.  
12     Leighton Lord is a candidate for the Second  
13     Congressional District replacing Clarence Davis.  
14     Marion Newton is candidate for the Sixth Congressional  
15     District replacing J. Calhoun Land. And Peggy Pinnell  
16     is the Berkeley County candidate that will be filling  
17     the seat that became vacant when Paul Campbell was  
18     elected to the senate.

19          And the reappointment is for the Fourth  
20     Congressional District seat, and that's held by Barry  
21     Wynn and he was first appointed in May 2006.

22          According to this Section 58-31-20 of the  
23     code, each member of the board of the Santee Cooper  
24     must possess abilities and experience that are  
25     generally found among directors of energy utilities

1 serving this state and that allow him to make valuable  
2 contributions to the conduct of the business of Santee  
3 Cooper. These abilities include substantial business  
4 skills and experience, including general knowledge of  
5 the history, purpose and operations of Santee Cooper  
6 and the responsibilities of being a director of Santee  
7 Cooper; the ability to interpret legal and financial  
8 documents and information so as to further the  
9 activities and affairs of Santee Cooper; with the  
10 assistance of counsel, the ability to understand and  
11 apply federal and state laws, rules and regulations;  
12 and with the assistance of counsel, the ability to  
13 understand and apply judicial decisions as they relate  
14 to the activities and affairs of Santee Cooper.

15 Those minimum requirements were passed in  
16 2005. And along with those requirements, the General  
17 Assembly passed a new section that requires that a  
18 director of Santee Cooper must discharge his duties in  
19 good faith and with the care that an ordinarily prudent  
20 person would exercise and in a manner that he  
21 reasonably believes to be in the best interest of  
22 Santee Cooper. And that would include a balancing of  
23 three factors: The customer interest, economic  
24 development of the service area and preservation of  
25 financial integrity of Santee Cooper. The directors

1 are subject to personal liability for violating that  
2 provision.

3 Generally, a board of directors has the duty  
4 to act in the best interest of a corporation, and those  
5 include -- the duty would include the duty of loyalty  
6 and the duty of care. And the duty of loyalty provides  
7 that directors and officers must remain loyal to the  
8 corporation, acting at all times in the best interest  
9 of the corporation and its shareholders.

10 With respect to Santee Cooper, as a public  
11 utility or quasi state agency, the board owes duties  
12 not to the shareholders but to Santee Cooper customers  
13 and bondholders as well as to the people of South  
14 Carolina by way of the people's elected representatives  
15 in the General Assembly and the governor.

16 Today, we're taking the candidates in the  
17 order in which I've set them out. And the first  
18 candidate that would be up for your consideration is  
19 Mr. Leighton Lord. The other candidates, I believe,  
20 are waiting in another room in the building, if they're  
21 already here. But they've been apprised of the times  
22 in which you all would take them up so they would have  
23 some travel time for the ones that live far away.

24 SEN. RANKIN: Okay. All right. Leighton  
25 Lord, come on down.

1 Do you have an entourage? If you do, folks  
2 with you, why don't you introduce them, please.

3 MR. LORD: I do not really have an entourage  
4 at all. Some people from the governor's office walked  
5 over with me, but I'm here on my own. My children are  
6 on spring break so having them come down to a senate  
7 hearing would probably be impossible.

8 SEN. RANKIN: That would not be a break from  
9 the reality they have got going on right now.

10 MR. LORD: That's right. They're having a  
11 lot more fun than I am.

12 SEN. RANKIN: Okay. We, as you've heard me  
13 before speaking to our court reporter, we need to have  
14 her swear you in and remind you that your answers are  
15 given under oath.

16 W. LEIGHTON LORD, III, being first duly  
17 sworn, testified as follows:

18 SEN. RANKIN: Okay. I'm going to turn it  
19 over to Nancy. We have gotten your written responses  
20 to questions some time back.

21 How long ago did you prepare these?

22 MR. LORD: I prepared those about eight  
23 months ago, but I did update them and send them to Andy  
24 several weeks ago or about a week ago.

25 SEN. RANKIN: All right. And Andy Fiffick is

1     our young, aggressive counsel who is going to practice  
2     cross-examination skills on you.

3             MR. LORD:   Okay.

4             SEN. RANKIN:  You're a lawyer?

5             MR. LORD:   I am.

6             SEN. RANKIN:  What type law do you practice?

7             MR. LORD:   I'm corporate and transaction.

8             SEN. RANKIN:  Have you ever been put under  
9     oath before?

10            MR. LORD:   I have.

11            SEN. RANKIN:  For -- we won't ask about that.  
12     We'll let him ask it.  I may come back to it.

13            MR. LORD:   Sure.

14            SEN. RANKIN:  All right.  Take it away.

15     BY MR. FIFFICK:

16            Q.     Please state your name and current address  
17     for the record.

18            A.     W. Leighton Lord, III, 3628 Devereaux Road,  
19     Columbia, South Carolina.

20            Q.     And you're a current resident here in  
21     Columbia?

22            A.     Yes, I am.

23            Q.     We received your complete confirmation  
24     package.  Are there any changes or is there additional  
25     information you would like to provide for your personal

1 data questionnaire or your statement of economic  
2 interest?

3 A. No, there isn't.

4 MR. FIFFICK: I would like to move that we  
5 put the PDQ summary in the record at this point.

6 SEN. RANKIN: Okay. No objection.

7 (EXHIBIT 1, Summary of Background Information  
8 for W. Leighton Lord, III, admitted.)

9 BY MR. FIFFICK:

10 Q. We sent you a set of questions and received  
11 your responses. If we asked you these questions today,  
12 would your answers be the same?

13 A. Yes, they would.

14 MR. FIFFICK: Mr. Chairman, could we have a  
15 motion to put the responses in the record?

16 SEN. RANKIN: So moved.

17 (EXHIBIT 2, Preliminary Questions, admitted.)

18 BY MR. FIFFICK:

19 Q. Could you please summarize your educational  
20 background and experience?

21 A. I grew up in Delaware. Went to the public  
22 schools of Delaware, graduated from the University of  
23 Delaware with honors. And then went to Vanderbilt Law  
24 School where I graduated.

25 Q. What experience would you bring to the Santee



1 Cooper board that would be beneficial to an energy  
2 utility?

3 A. Well, first off, I started my career in  
4 corporate government clerking for the Delaware Court of  
5 Chancery and practicing corporate governance in  
6 Delaware. And that's always been a focus of mine, so I  
7 believe I understand how boards should operate.

8 Additionally, I've been a transactional  
9 lawyer all of my career, which has involved  
10 understanding, figuring out and implementing complex  
11 financial structures and transactions which I believe  
12 is core to the operation of an entity like Santee  
13 Cooper which has a very complex financial background.

14 Q. I'm now going to ask you some questions about  
15 energy in general and Santee Cooper especially. We've  
16 got questions that we're asking all of the folks coming  
17 before us today, so I'm not going to be able to give  
18 you much in the way of clarification on the question.  
19 If we ask the question, that's going to be what the  
20 folks have decided we're going to do today.

21 Our first question is: What is Santee  
22 Cooper's current generation mix?

23 A. The current generation mix is primarily coal,  
24 and I believe the coal is at about 70 percent. The  
25 next in line is nuclear, which is approximately

1 10 percent, maybe a little bit more than 10 percent or  
2 so. And then there's a mix of natural gas. There's a  
3 little bit of hydro. There's some alternatives. I  
4 believe Santee Cooper is pulling some methane out of  
5 some landfills and utilizing that. And there's  
6 probably a tiny, tiny bit of solar, maybe through some  
7 of the school programs that Santee is doing. But's  
8 primarily coal and then nuclear. I think it's even  
9 some diesel-generated facilities on the coast that are  
10 kind of backup facilities.

11 Q. Thanks.

12 What is the relative age of their baseload  
13 fleet, with coal being a particular portion of that  
14 since it represents the vast majority of generation?

15 A. Some of the coal facilities are very old, and  
16 I think go back 40-something years or more. The  
17 nuclear facilities, which are joint ventures with  
18 SCANA, SCE&G, Summer site primarily go back about 20,  
19 25 years, I believe. And I'm not sure about some of  
20 the smaller facilities, some of the natural gas and  
21 oil-generated facilities. And I guess the hydro are  
22 the oldest, go back to the founding of Santee Cooper  
23 back in the 1930s.

24 Q. Thank you.

25 What's the expected remaining life of the

1 plants currently in operation?

2 A. Well, as I understand it, the nuclear  
3 facility in Jenkinsville is in the process of getting  
4 renewed for another 20, 25 years. So that facility  
5 could stretch out to, I don't want to guess but another  
6 20, 25 years. And I'm not sure what the life  
7 expectancy of some of the older coal-fired plants are,  
8 but as I understand, a lot of those can be  
9 decommissioned voluntarily. But they can be made to  
10 stay in line as long as they're needed.

11 Q. What are the challenges presented by this mix  
12 in the age of the fleet if Congress were to pass  
13 measures requiring transition to carbon-constrained  
14 economy?

15 A. Well, I think the biggest problem in cap and  
16 trade is probably one of the most topical things that  
17 might happen out of Washington, it would raise the cost  
18 of providing power to people and businesses in Santee  
19 Cooper's district, which includes the co-ops, of  
20 course, which includes their power. So I think it  
21 would be a cost that would be imposed on our state that  
22 would have to be borne by some of the people who  
23 consume it.

24 But I think that one of the other factors is  
25 it would probably make us less competitive as a state

1 that tends to get its fair share of good businesses  
2 that want to relocate from abroad and come to  
3 Northeast. Because I know our competitive power costs  
4 are an attraction to our state. And that would be  
5 something that we couldn't offer to someone willing to  
6 come to South Carolina to bring jobs.

7 Q. And who are Santee Cooper's electricity  
8 consumers?

9 A. Their consumers? Santee Cooper has direct  
10 individual consumers within its -- within its  
11 territory. It also has consumers throughout the state  
12 through the co-ops. But the power first goes through  
13 central and then through the various co-ops. And then  
14 it has direct industrial consumers.

15 Q. And could you tell me what the relative  
16 percentages of each of these groups share of Santee  
17 Cooper's sales of energy?

18 A. I think central takes the majority. I don't  
19 know the percentage exactly, but 52 percent is sticking  
20 in my head, but I don't want to say that because I  
21 don't know if it's true. I think the majority goes to  
22 central and then on to the co-ops. And then there's a  
23 large percentage that goes to the users within Santee  
24 Cooper's territory. Maybe another 30 or so and then 20  
25 or so to the industrial users.

1 Q. And do you know each group of customers  
2 responsible for capital costs for capacity?

3 A. Can you rephrase that again?

4 Q. Yeah. We've got the list of all those  
5 customers that you went through.

6 A. Right.

7 Q. Do you know what each group of customers'  
8 responsibility is for capital cost for capacity?

9 A. I do not know the answer to that.

10 Q. Do you agree with a claim that Santee Cooper  
11 will be in short supply by 2013 if new facilities are  
12 not constructed and if energy efficiency and  
13 conservation measures are not undertaken, what types of  
14 facilities should be constructed to resolve this  
15 problem?

16 A. I think that's absolutely true. As I  
17 understand it, in the summer of 2007, which I think we  
18 all remember was pretty hot, Santee Cooper reached its  
19 maximum capacity, about 5,560-some megawatts. And I  
20 think that involved the good people of Santee Cooper  
21 essentially using duct tape to buy power off the grid  
22 and do everything they could to keep capacity going.

23 Santee Cooper's footprint is -- as the center  
24 knows, is growing. Even in this recession, it's not  
25 going backwards, it's still growing at a certain rate.

1 I think I heard a statistic in the last 25 years it's  
2 growing on an average of 3 percent. So if the customer  
3 base continues to grow, Santee Cooper is not going to  
4 have enough power. And buying power from third parties  
5 is very expensive and very inefficient.

6 I think what Santee Cooper needs is a  
7 combination of measures in order to meet those needs.  
8 It needs something that can supply additional power in  
9 the next three to five years. I think conservation and  
10 efficiency has a lot of potential, which Santee Cooper  
11 is already doing. It has a lot of potential to lighten  
12 the load. But if we come out of this recession, which  
13 I'm optimistic we will any day now, and the growth on  
14 the coast continues or creeps up, we get another hot  
15 summer, Santee Cooper could be in real trouble as far  
16 as supplying that power.

17 I think power can be bought from Georgia and  
18 other places, but it's very expensive and that will be  
19 passed on to consumers.

20 Q. We'll clarify this because I had a follow-up  
21 question in the first question. What types of  
22 facilities should be constructed?

23 A. Well, I think in the short term, I think the  
24 Pee Dee facility could help strengthen Santee Cooper's  
25 ability to deliver power. I also think one of the

1 attractions of that facility is it's one of the most  
2 efficient and clean facilities that's been planned,  
3 unlike some of the older facilities, so it can be part  
4 of Santee Cooper's long-term plan to have a much more  
5 efficient facility.

6 Nuclear is something that Santee Cooper, as I  
7 understand, continues to try to bring online. The  
8 problem with nuclear is it's so far out. Some of the  
9 plants are being permitted for the first time in 20  
10 years. I understand the components are scarce. So we  
11 don't really know when we can get more nuclear capacity  
12 online. So there needs to be something in the interim  
13 to do that.

14 And if Santee Cooper was at its maximum  
15 capacity in 2007, I don't think we have any choice but  
16 to bring something that would deliver at least 5- to  
17 600 megawatts sometime within the next five years.  
18 Brownouts in our state are unacceptable.

19 Q. And as far as the longer-term planning, 30,  
20 40, 50 years out, how generally should Santee Cooper be  
21 approaching that longer-term plan?

22 A. I think Santee Cooper has to look at every  
23 alternative to bringing power to its customer base. I  
24 think nuclear has a lot of promise. If Santee Cooper  
25 can increase its nuclear mix, I believe the national

1 average is about 20 percent nuclear, whereas Santee  
2 Cooper is about 10 or so. So I think that percentage  
3 can be risen a little bit. I think there's a lot of  
4 promising alternatives. The problem is we're in a  
5 state where solar is not that efficient, wind is not  
6 that efficient.

7 I understand that Santee Cooper is  
8 experimenting with offshore wind generation. Pulling  
9 methane out of landfills, biomass. I think all of  
10 those issues should be considered as part of the mix.  
11 I don't think there's any one solution. I think it's  
12 probably about 15 solutions.

13 I personally think that efficiency  
14 conservation within the customer base probably has a  
15 huge potential in the short term.

16 Somebody told me of a statistic that the most  
17 inefficient dryer costs about \$250. The most efficient  
18 dryer costs about \$800. I know a lot of folks probably  
19 have that \$250 dryer. If we can figure out some way to  
20 increase their efficiency of their use of electricity  
21 20 percent in the customer base, you get a little bit  
22 of a -- sort of a -- you buy some time to bring more  
23 capacity online.

24 Q. Given that building more capacity has become  
25 so much more expensive now, do you favor a consortium



1 approach to generation where utilities would join  
2 together to share the costs and risks of expensive, new  
3 capital projects?

4 A. I think it seems to have been very successful  
5 with nuclear. I don't know that great -- I don't know  
6 the details of Santee Cooper's relationship with SCE&G.  
7 But that seems to be a very efficient way to bring very  
8 high cost, long-term facilities online.

9 Q. And you sort of answered this question but  
10 I'm going to ask it because I've got it. Has the joint  
11 venture with SCE&G been successful?

12 A. Again, not being on the inside, it appears  
13 from the outside to have been. They're doing it again,  
14 so I always think if somebody repeats something, it  
15 must have worked.

16 Q. And is future cooperation with other  
17 utilities viable, necessary or potentially profitable?

18 A. I don't know the answer to that. I think  
19 that would be a very complicated analysis.

20 Q. Do you support further investment in and  
21 reliance upon nuclear generation?

22 A. Yes.

23 Q. Do you believe Santee Cooper should continue  
24 with its plans to build a Pee Dee plant in the face of  
25 the mounting likelihood of climate change legislation

1 from the feds?

2 A. I do.

3 Q. Santee Cooper is increasing rates for the  
4 first time in 12 years. How did Santee Cooper prevent  
5 rate increases for that amount of time?

6 A. I don't know the answer to that. It's  
7 probably good management.

8 Q. And could the new rate stay the same for  
9 another 12 years?

10 A. That, I don't know. As I understand it, the  
11 base rate is being increased for the first time in 12  
12 years. But there's always been some fluctuation based  
13 on commodities that go into the power. But I don't  
14 know.

15 Q. Generally, could Santee Cooper continue to  
16 provide electricity at low rates?

17 A. I would hope so. I think that's part of  
18 their mission to improve the quality of life of South  
19 Carolinians.

20 Q. How does Santee Cooper set their rates?

21 A. I don't know to answer to that.

22 Q. Does it establish rates upon -- based upon  
23 any cost-of-service study or other empirical study?

24 A. I do not know.

25 Q. What steps can Santee Cooper take to expand

1 its energy efficiency conservation programs?

2 A. I think they can look at everything. As I  
3 mentioned earlier, I think it's fascinating that  
4 appliances use so much power in our households. And  
5 with a little bit of investment -- I'm not -- I don't  
6 have a plan for how you would do it, but with a little  
7 bit of investment, you can increase the efficiency in  
8 households a great deal. These appliances pay for  
9 themselves in three to four years.

10 Same thing with lighting. I know Santee  
11 Cooper has had a very aggressive program to get the  
12 compact fluorescents into its customer base. As I  
13 understand it, there's a next generation of LED lights  
14 that even save more power than the Department of Energy  
15 is experimenting with in some governmental buildings.

16 But I think they can look at everything. The  
17 nice thing about Santee Cooper is it does not have to  
18 make a profit. It has to increase the quality of life  
19 of South Carolinians. So if the Santee Cooper can go  
20 out and try to lower the energy bills of its customers,  
21 it's consistent with its mission.

22 Q. And how should these programs be paid for?

23 A. I don't know the answer to that. I think --  
24 again, I think it's interesting because if you can  
25 increase the efficiency, you can take a lot of load off

1 the very expensive generation facilities that we've  
2 been talking about. And, you know, even investor-owned  
3 utilities are talking about doing things that increase  
4 the efficiency of their customer base. So I think it's  
5 something that Santee Cooper should look at as an  
6 investment.

7 Q. Briefly and generally describe your  
8 understanding of a renewal portfolio standard.

9 A. I'm not sure if it's a term of art that is  
10 particular, but I think a lot of utilities are trying  
11 to have a portfolio of renewables and some of them are  
12 imposing their loan requirements. I know some states  
13 have put requirements on utilities to have a certain  
14 mix of renewables.

15 Again, the problem with it is two of the most  
16 popular renewables are wind and solar, and we live in a  
17 state that isn't very conducive to either one. So you  
18 have to look at where you are, what can work and be  
19 practical about it.

20 Q. And what are your thoughts on the pursuit of  
21 these alternative energy technologies?

22 A. I think we should pursue them. I think we  
23 should pursue those technologies. I think it lightens  
24 the load on some of the facilities that could become  
25 very expensive. And it can allow our state and Santee

1 Cooper to be an innovator in these areas.

2 Q. And what renewables are currently available  
3 in South Carolina?

4 A. Well, again, I don't -- except for offshore,  
5 I don't think there's any wind, turbine generation. I  
6 think there's a little bit of solar. There's methane  
7 gas being pulled out of landfills. There's some  
8 biomass being utilized. And I think there might be  
9 some experimentation with tides and offshore types of  
10 water movements.

11 Q. Please generally describe the current demand  
12 side management program Santee Cooper has marketed.

13 A. I'm not familiar with their demand side.

14 Q. Do you agree with Santee Cooper's decision to  
15 spend \$113 million over 12 years for efficiency  
16 programs?

17 A. Yes.

18 Q. Could you provide your view of a director's  
19 role in Santee Cooper?

20 A. Sure. This is an area that's sort of near  
21 and dear to my heart being the chairman of my law firm.  
22 As some might know, managing lawyers can be somewhat  
23 difficult. They tend to have opinions and talk about a  
24 lot and are very argumentative.

25 The board and the director should set the

1 vision and direction of the organization. And the best  
2 way I think to describe a director's role is in the  
3 negative. What a director shouldn't do is get involved  
4 in the management of the enterprise. He should not  
5 cross that line, get involved in the day-to-day  
6 management of how the enterprise is executed and  
7 operated.

8 Generally, the board set the direction and  
9 vision, be involved in the strategic planning, be  
10 involved in the business plan, be involved in where  
11 they think the institution should go and then the board  
12 has an obligation to make sure that management gets  
13 that done and stays true to the vision and direction of  
14 the institution.

15 Q. And how is that role different from the role  
16 of Santee Cooper's executive staff?

17 A. Well, I believe the executive staff would be  
18 the CEO of the C-level folks. They're in charge of  
19 executing -- of executing the vision and the direction  
20 set by the board, the day-to-day management and  
21 operation, getting it all done, you know, working on  
22 contracts, working on joint ventures, working on the  
23 details that are consistent with the vision and  
24 direction set by the board.

25 Q. Aside from annual audits from outside firms,

1     what other types of independent expertise should a  
2     member of the Santee Cooper board utilize in decision  
3     making?

4           A.    I think it's important that the individual  
5     board members are fully informed.  I think as part of  
6     the duties, the judiciary duties that a board member  
7     has, one of those is to be fully informed in what's  
8     going on and have all the information necessary to make  
9     a decision.  I think it depends on what issue is before  
10    the board.  I think the board members have the right to  
11    ask through the chairman for additional information if  
12    they don't feel like they can make a decision in good  
13    judgment.

14                But I think all the board members should have  
15    the same information.  They should have as much  
16    information as they think they need, but they should do  
17    that through the chair and they should do it  
18    consistently and not independently.

19           Q.    What's your general approach to serving on a  
20    board?  Leader?  Follower?  Planner?  A mix of those?

21           A.    You know, I think my general approach is to  
22    initially be a good listener and be a learner.  I think  
23    that with a board as complex as Santee Cooper, there's  
24    a -- as you can tell from some of my questions, which I  
25    could not -- some of your questions which I could not

1 answer, I think board members need to first understand  
2 what's going on, understand the facts, and then make  
3 independent decisions using their judgment and  
4 experience, that it's consistent with the vision and  
5 direction of the organization.

6 Q. And you've answered this in your written  
7 questions, but how much time do you anticipate  
8 preparing for or participating in board activities?

9 A. Well, as I understand it, the board meetings  
10 tend to take a complete day and generally the  
11 preparation takes a complete day. I would imagine if  
12 there were other committee or side activities, that  
13 would be another day, half day, depending on what's  
14 needed.

15 Q. And will this time interfere or be limited by  
16 your other interests and activities?

17 A. No, it will not.

18 Q. Please explain your understanding of Santee  
19 Cooper's history and its purposes and operation.

20 A. Santee Cooper was formed by the state to  
21 improve the quality of life for South Carolinians.  
22 Initially, produced some electric generating  
23 facilities, early hydro facilities, also some flood  
24 management control types of things that I think are  
25 large and under control.



1           But Santee Cooper has grown and continued to  
2   develop and mature and become a major power provider in  
3   our state. It's one of the largest public power  
4   providers in the country. It's a major resource to our  
5   state. I think it's been instrumental in allowing our  
6   state to develop in many ways, including the rural  
7   areas by supplying the co-ops with power, which are  
8   probably our growth areas in the next 20 years because  
9   the cities are kind of built out. I think Santee  
10   Cooper has done a wonderful job of allowing that to  
11   happen.

12           Q.   What's been your experience with interpreting  
13   financial documents?

14           A.   My experience is it probably takes me twice  
15   as long as a lot of other people, but I keep looking at  
16   them, reviewing them until I understand them and figure  
17   them out.

18                I read through one of the bond indentures for  
19   Santee Cooper, and I probably got about 60 percent of  
20   it. If I read it again, I would get 70 percent of it.  
21   I do that a lot in my day-to-day life because I set up  
22   financial structures for private entities, that's what  
23   I do. And it takes time, but I think it's necessary.  
24   I think you have to understand how it works and that it  
25   does work.

1 Q. Do you have any direct or indirect  
2 familiarity with legal opinions or orders or agency  
3 decisions impacting Santee Cooper?

4 A. Not impacting Santee Cooper, no.

5 Q. Do you have any direct or indirect business  
6 relationships with Santee Cooper or any of its  
7 wholesale power customers?

8 A. The indirect relationship, as I disclosed in  
9 my questionnaire, is that my law firm Nexsen Pruet  
10 represents the state co-op organization as well as some  
11 individual co-ops.

12 Q. And do you have any relationship with any  
13 professional, civic, charitable or other similar  
14 organizations that may present a conflict or could  
15 present a conflict with your appointment to the board?

16 A. I don't know of any.

17 Q. What will you do if one arises?

18 A. I would follow the conflict-of-interest rules  
19 established by Santee Cooper, most likely through their  
20 general counsel. I generally take a view that if it  
21 feels like a conflict, you need to get it worked out  
22 because a real conflict is just as bad as an appearance  
23 of impropriety.

24 Q. Are there any financial conflicts that may  
25 impact your appointment?

1 A. Not that I know of.

2 Q. And do you have any holdings in any utilities  
3 or other entities that may be impacted by the decision  
4 of the Santee Cooper board?

5 A. I don't know, but as I disclosed, my 401(k)  
6 might have mutual funds that invest in IOUs. But I  
7 don't know of any in particular, if I do.

8 Q. Do you understand the obligations and  
9 responsibilities of the position on the board?

10 A. I do.

11 Q. And what duty of loyalty and/or duty of care  
12 would you owe to Santee Cooper?

13 A. Well, that's -- as you know, it's set forth  
14 in the statute that governs board members on Santee  
15 Cooper. And the duty of loyalty is, I think, one of  
16 the more important. And in making your decisions as a  
17 board member, you have a duty to Santee Cooper and to  
18 Santee Cooper's constituents which are its customers,  
19 its bondholders and its people in the organization.

20 Q. What role should a director's ideological or  
21 political beliefs play in making a decision?

22 A. You know, I think it's one of those things  
23 where it's hard to step outside of who you are, but I  
24 think the most important duty of a director is to -- is  
25 to understand the issue, understand the facts and use

1 your best judgment based on the duty of care, the duty  
2 of loyalty.

3 Q. What's your opinion about the importance of  
4 board unity?

5 A. I think it's very important. It's key to the  
6 success of any organization.

7 Q. Could you please describe your temperament.

8 A. Generally pretty easy going. I think I have  
9 a great deal of patience. I think probably patience is  
10 one of my better virtues. Having been in the  
11 management position of a law firm for three years, it's  
12 tested often. But I think it's -- I've always believed  
13 that you get things done better through the long march  
14 than the bold stroke. Occasionally, the bold stroke is  
15 necessary, but generally the long march is what gets  
16 things done and makes progress. And an organization  
17 like Santee Cooper is one that's on the long march.

18 Q. If you're confirmed by the senate, what are  
19 the first three things you plan to do as a board  
20 member?

21 A. Well, I plan to continue reading all of this  
22 stuff on Santee Cooper that I have to understand the  
23 bond indenture. I think it's key to understand fully  
24 all that Santee Cooper does including how they set  
25 their rates, which an honest answer, I don't know how

1     they set their rates. I know a little bit about it.  
2     I've read about it, but I don't quite understand it. I  
3     know it has something to do with what stuff costs. But  
4     beyond that -- so education would be the first thing I  
5     would do.

6             I think it's important to establish a  
7     relationship, a good, positive, working relationship  
8     with the other board members. Because, as you asked,  
9     board unity, in my opinion, is key. The board needs to  
10    be able to disagree, but not get personal and not --  
11    but disagreements over policy get in the way of  
12    progress and their duty to the organization.

13            Q.    Have you ever attended a meeting of the  
14    Santee Cooper board?

15            A.    I have not.

16            Q.    And what have you done in preparation for  
17    serving as a member of the board?

18            A.    I've read a lot of materials. I've got a  
19    whole briefcase dedicated to Santee Cooper. I've been  
20    reading the bond indentures. I've been reading the  
21    reports. I've been consulting engineer. I have also  
22    read various studies. I've read everything I could  
23    find on Google as far as the press goes. And also  
24    trying to educate myself on all of the issues including  
25    cap and trade, the opposition to coal plants around the

1 country. The progress of nuclear alternatives, how  
2 feasible they are.

3 So all -- essentially, I'm trying to educate  
4 myself on everything you've been asking questions of me  
5 today. There's a lot of information out there. It's  
6 an extremely exciting part of what we are doing as a  
7 state but very complex. It's changing every day, and I  
8 think the new administration in Washington is going to  
9 change it a little bit more in the next couple of  
10 years. And I think Santee Cooper needs to be ready for  
11 that.

12 Q. Do you have any additional statements you  
13 would like to make to the committee regarding your  
14 appointment to the board?

15 A. Only that it's an honor to be considered.  
16 It's an honor to be considered by this committee, and I  
17 would be happy to answer any questions. I look forward  
18 to the ability to serve, if you find me so qualified.

19 Thank you.

20 MR. FIFFICK: Mr. Chairman, I have no other  
21 questions. If some other members would like to ask  
22 questions.

23 SEN. RANKIN: Okay. Mr. Ott.

24 REP. OTT: Thank you, Mr. Chairman.

25 BY REP. OTT:

1           Q.    Mr. Lord, most of what you've been questioned  
2   on so far is about power generation and that end of it.  
3   I live in Calhoun County, and we enjoy the lakes.

4                   Let me ask you briefly what you would see as  
5   your responsibility as a board member as it would  
6   relate to the management of the lakes for recreation,  
7   hunting and fishing and people who do business with  
8   leases around the lakes.

9           A.    Well, I think Santee Cooper needs to have a  
10   consistent policy with regard to what it does with its  
11   property. As I understand it, a lot of the lakes are  
12   under FERC jurisdiction to a certain extent, so what  
13   Santee Cooper can do as far as be guided by what FERC  
14   says they can do as far as preserving certain space.

15                   But I think Santee Cooper needs to first make  
16   sure that it stays true to its mission and maintains  
17   the property and the land that it needs to always have  
18   the ability to generate power, which is its primary  
19   obligation. But if there's property that can be  
20   utilized to, you know, increase the quality of life of  
21   South Carolinians, that's consistent with its mission.

22           Q.    All right. And let me get back to  
23   conservation. You mentioned the dryer.

24           A.    Uh-huh.

25           Q.    I'm more concerned with heating systems --

1 A. Okay.

2 Q. -- become a huge drain in cold weather for  
3 people who may live in inefficient mobile homes and  
4 that type stuff.

5 A. Right.

6 Q. You mentioned how we could save and reduce  
7 our need for electricity if we do some certain things,  
8 but you never got into exactly how you, as a board  
9 member, would possibly come up with some ideas.

10 As it would relate to Santee Cooper having to  
11 generate less electricity so being less dependent on  
12 coal, could you see a time when you, as a board member,  
13 would support Santee Cooper's financial obligation to  
14 do some -- I guess not remodeling but updating some of  
15 the inefficient homes that become your end users of  
16 electricity?

17 A. I think that's something that Santee Cooper  
18 needs to consider because if they spend a certain  
19 amount of dollars to make their customer base more  
20 efficient, it will lower the amount of generating  
21 facilities that they need. So it's an investment. And  
22 again, it's because Santee Cooper doesn't have to  
23 answer to investors, it answers to the state and to its  
24 mission to good quality of life. I think it's  
25 consistent with its mission to do something like that.



1           Now, I don't understand how you would finance  
2     that. I don't understand if you could issue a bond to  
3     do that. It seems as if you should be able to. If you  
4     could issue a bond to build a gas-fired turbine, you  
5     should be able to issue one that could save you a  
6     hundred megawatts in generation facilities.

7           Q.    Not to put words in your mouth, but I guess  
8     what I'm searching for is you would be open to  
9     consideration of something along that line?

10          A.    Absolutely. I believe that in order to get  
11     to the point where, for instance, we have nuclear  
12     online, which is out a ways, we need to come up with  
13     things we can do very quickly. Even building the  
14     Pee Dee facility will take time. Building a nuclear  
15     plant takes more time.

16                If growth picks up again on the coast, like I  
17     think it will, the way to buy that time is through  
18     efficiency and conservation.

19                REP. OTT: I have no further questions.

20                SEN. RANKIN: And I have just a few.

21     BY SEN. RANKIN:

22                Q.    You obviously are in support of the governor.  
23     He has sent your name up to succeed Clarence Davis. I  
24     trust you know Clarence?

25                A.    Yes, we're friends.

1 Q. Okay. You've talked to some or a lot about  
2 the goings on at Santee Cooper?

3 A. Actually, Clarence and I have never talked  
4 about this.

5 Q. Probably save him for your not asking about  
6 it.

7 A. That's right.

8 Q. You are aware of some of the history of the  
9 controversy of Santee Cooper through the governor's  
10 office, I trust, if you've read the papers?

11 A. I have.

12 Q. I'm not trying to open or pick at a scab that  
13 I think is healing with the passage of this bill, but I  
14 am curious on the conflict in your answer to the  
15 question about the coal power plant at the Pee Dee. Do  
16 you know the governor's position on that?

17 A. I'm not sure. I'm not trying to be evasive,  
18 but I think what I heard him saying -- and the governor  
19 and I have never talked about needing a facility, is  
20 that he thinks the board should be open to looking at  
21 it again. I think. But I'm not sure. I've never  
22 talked to him. Only what I've read in the paper about  
23 it.

24 But I think my position as a potential  
25 director is different in that I should support what the

1 board has ruled on. The board has made that decision.  
2 I think it would be wrong for me to take a contrary  
3 position to a board that I may be on.

4 Q. Okay. How about regarding your answer in  
5 terms of nuclear in supporting that, have you had a  
6 conversation with the governor about his position on  
7 that?

8 A. I have not. I actually don't know what his  
9 position is on that.

10 Q. What conversations have you had with the  
11 governor about your appointment and his desires for you  
12 to carry out what agenda he may have in your campaign?

13 A. Well, the one conversation that we had had to  
14 do with long-term strategic planning in that the -- the  
15 governor's view that Santee Cooper would have to do  
16 things vastly different in the next 20 years than it  
17 has done in the last 20 years because the environment  
18 is changing so quickly as far as the regulatory scheme,  
19 what other states are doing. And that it would take a  
20 lot of planning, and that the board should be ready to  
21 roll up its sleeves, I think were his exact words, and  
22 help come up with a long-term plan of Santee Cooper  
23 that involved doing things differently than in the  
24 past.

25 Q. Any specific ideas that he has for you to

1 hopefully implement?

2 A. There were not any specific ideas. I think  
3 what he said, again, I remember him saying open the  
4 hood up and just look at all the different alternatives  
5 and options about alternative power, conservation. I  
6 think he mentioned the CEO of Duke Power, Jim Rogers,  
7 talking about implementing the conservation that you  
8 had talked about, about aggressively thinking of  
9 conservation and efficiency as investment. That you're  
10 making your customer base more efficient is the same  
11 thing as building a facility. He mentioned that once,  
12 but we haven't had any more conversations.

13 Q. When you say "open the hood," it envisions a  
14 Ross Perot history.

15 A. I didn't really know a hundred percent what  
16 he meant by that.

17 Q. I have lived in an area that is rich in  
18 direct retail -- direct-serve customers, and those are  
19 my voters. There's obviously a business feature to  
20 that mix as well. But what do you do when you have an  
21 effort by some of the industrial customers, the big  
22 boys, the Alcoas, the ValueMaxes, whoever, when they  
23 are pushing you to try to perhaps -- I want to say  
24 subsidize, it could be argued subsidize their rates,  
25 and the only place -- a group that can subsidize that

1 is the direct-serve directly or through the co-ops.

2 How will you handle a push by the wholesale  
3 or the industrial-load customers, how will you handle  
4 that?

5 A. I think it has to be a balance. I think it  
6 has to be a balance between all of the customers of  
7 Santee Cooper. I don't think you can put too much  
8 weight -- too much burden on one as opposed to the  
9 other. Very much like the tax code. You have to try  
10 to make it as balanced as possible because the people  
11 need to have affordable power, but the people also need  
12 the businesses so they can have jobs. And I think  
13 it's -- I know it's probably a constant struggle, but I  
14 think a balance can be struck. I hope I will be able  
15 to help achieve that balance.

16 Q. Okay. In terms of conversations with  
17 existing board members, have you gone to any meetings?

18 A. I have not.

19 Q. Okay. Have you discussed with anyone -- you  
20 mentioned Clarence has never talked about it, but have  
21 you talked to any other board members about how it is  
22 to serve, what's expected, the issues that are coming  
23 up?

24 A. I spoke briefly with the chairman, Earl  
25 Thompson, and but only for about five minutes. And I

1 met Barry Wynn, who is going to be before you all in a  
2 couple of hours, about half an hour or an hour ago and  
3 talked with him.

4 Q. Ron Calcaterra. I hope I have done that  
5 correctly. Have you ever met him?

6 A. I have.

7 Q. He wrote a Op-Ed piece recently, and I wonder  
8 if you're familiar with that?

9 A. I'm not familiar with it, but it might be in  
10 future reading.

11 Q. Your reading assignments?

12 A. From what I've heard about it, I would like  
13 to read it.

14 Q. I've got it, and I will give it to you on the  
15 way out.

16 A. Okay.

17 Q. One of the things that calls my attention to  
18 that article is the conversation about conservation and  
19 efficiency. You mentioned and you have written, in  
20 fact, on what caught my eye, Protecting the Land  
21 Conservation: Easements, Past, Present and Future.  
22 I'm putting that into conservation side. You obviously  
23 have a passion for that.

24 A. Uh-huh, I do.

25 Q. The customers of the co-ops, many are not

1     wealthy but many live in old mobile homes. And his  
2     article touches on the need to try to embrace energy  
3     efficiency and conservation.

4             A.     Right.

5             Q.     It's really not necessarily your role to  
6     endorse policy that we, the state, have to do, but you  
7     will have to partner with us in terms of either  
8     soliciting money from the feds, which we are in the  
9     process of doing, and trying to work with the less  
10    wealthy to make for more affordable homes or buying the  
11    more efficient -- you mentioned a washing machine?

12            A.     Right.

13            Q.     How do you see your role in kind of taking  
14    your passion to a policy standpoint?

15            A.     Well, I think if the board of Santee Cooper  
16    agreed that part of moving Santee Cooper forward -- and  
17    again, I'd be just one board member expressing an  
18    opinion, if the board agreed that in its planning, in  
19    its strategic planning and its vision for the next 20  
20    years that conservation and efficiency were going to be  
21    a component that Santee Cooper was going to be probably  
22    more aggressively than some investor-owned utilities, I  
23    think the role of a board member should say, "We think  
24    this is important. We think you, the management of  
25    Santee Cooper, needs to figure out how to do it and

1 implement it and handle the details of it."

2 So I think the board should try to set that  
3 direction that thinks it's the right direction and let  
4 management figure out the best way to do it.

5 For instance, I don't know if it would be  
6 better to do it with a washer and dryer, or as the  
7 representative said, a heating system. But with  
8 limited resources, I think Santee Cooper would have to  
9 figure out how they can get the best bang for the buck  
10 using its money, state money, possibly federal money.  
11 But the Department of Energy is very interested in this  
12 area. I know there's probably stimulus money going  
13 towards this right now.

14 Q. My last question. Have you read the energy  
15 policy report that our PURC committee presented to our  
16 congressional delegation?

17 A. Some of that, yeah.

18 Q. Is that likewise --

19 A. It's in the package, yeah.

20 SEN. RANKIN: It's going to be a War and  
21 Peace read before it's over.

22 All right. Thank you very much. That's all  
23 the questions I have.

24 Staff, do you all have anything further?

25 I appreciate your willingness to serve, and



1 we'll be talking with you shortly.

2 MR. LORD: Okay. Thank you.

3 (A recess transpired.)

4 PASTOR MARION H. NEWTON, being first  
5 duly sworn, testified as follows:

6 SEN. RANKIN: Welcome. I'm Luke Rankin.  
7 Harry Ott is the house member we're waiting on who sits  
8 in this seat. You've met Nancy Coombs maybe.

9 PASTOR NEWTON: Yes, I have.

10 SEN. RANKIN: Andy Fiffick or one of these  
11 two nice folks are going to be asking you questions.  
12 Nancy is raising her hand, so it will be a really nice  
13 person.

14 And we want to welcome you here, and you've  
15 been placed under oath, so obviously, realizing  
16 whatever you say is, as a minister, sworn to your Lord  
17 and our maker.

18 Take it away, Nancy, if you will.

19 MS. COOMBS: Mr. Chairman, Mr. Marion H.  
20 Newton is a candidate seeking employment for the Sixth  
21 Congressional District seat on the Santee Cooper board  
22 of directors for the term commencing May 19, 2006, and  
23 expiring May 19th, 2013.

24 BY MS. COOMBS:

25 Q. Good afternoon, Pastor Newton.

1 A. Good afternoon.

2 Q. Would you please state your full name and  
3 current address for the record.

4 A. Marion H. Newton, 506 West Oakland Avenue,  
5 Sumter, South Carolina 29150.

6 Q. Is that green light on?

7 A. Yes, ma'am.

8 Q. Okay. Thank you.

9 So you're a resident of the Sixth  
10 Congressional District?

11 A. Yes, I am.

12 Q. We've received your complete confirmation  
13 packages -- excuse me, your complete confirmation  
14 package. Is there any modification you'd like to make  
15 to the personal data questionnaire or to your statement  
16 of economic interest?

17 A. Okay. Yeah. On the finances -- my finances.

18 Q. No, that's fine. Just the questionnaire  
19 where we asked your work experience and everything?

20 A. No.

21 Q. Okay. And, Mr. Newton, we sent you a set of  
22 questions, I believe it was last year.

23 A. Yes, ma'am.

24 Q. And we received your responses then and we  
25 gave you an opportunity to update them. So if I ask

1     you those same questions today, would your answers be  
2     the same?

3             A.     I would think so.

4             MS. COOMBS:   Mr. Chairman, I'd like to put  
5     Mr. Newton's -- the summary, staff summary of his  
6     personal data questionnaire in the record.   And I'll  
7     provide that for the court reporter.

8             SEN. RANKIN:   It is placed in the record.

9             (EXHIBIT 3, Summary of Background Information  
10     for Pastor Marion H. Newton, admitted.)

11            MS. COOMBS:   And also the responses that  
12     he -- the responses that he submitted to the written  
13     questions we sent, I would like to have that also as  
14     the next hearing exhibit.

15            SEN. RANKIN:   Okay.   That will be 1 and 2 --  
16     or 3 and 4.   Okay.

17            (EXHIBIT 4, Preliminary Questions, admitted.)

18     BY MS. COOMBS:

19            Q.     Mr. Newton, would you please summarize your  
20     educational background and experience.

21            A.     I graduated from Jasper High in Jasper  
22     County.   I got a bachelor's degree from Morris College,  
23     Master's of Minister for the ministry from Morris  
24     College as well.

25            Q.     What experience would you bring to the Santee

1 Cooper board that would be beneficial to an energy  
2 utility board?

3 A. Well, I've been pastoring for 25 years, going  
4 into the 26th year. And in doing that, our  
5 congregation is about 2,000 people. From the business  
6 side of that, we do have a child development center,  
7 family life center, a grade school. And, of course, I  
8 am -- as the leader, I'm responsible for the financial  
9 part as well as all the other businesses. I have been  
10 a member of many different boards, and I think bringing  
11 that to Santee Cooper will help me and the board make  
12 sound decisions.

13 Q. What types of boards are those that you've  
14 been a member of?

15 A. On my resume there, it's the family -- Sumter  
16 Family Health Center. In fact, yesterday was my last  
17 meeting. I've been on that board for nine years, from  
18 its inception. I hold different positions on that  
19 board.

20 I've been co-chair of the Empowerment Zone  
21 Board, which was shared with the Columbia Empowerment  
22 Board and that's why we had co-chairs. And I've been  
23 president of the ministerial lines, the Black Concerned  
24 Clergy, that's basically it.

25 Q. Okay. We have some questions that we're

1 asking each of the candidates about Santee Cooper and  
2 just general board member questions, so we'll -- as I  
3 said, we'll be asking the same questions of each  
4 candidate. At the present time, we don't expect that  
5 you all would know a hundred percent of the answers,  
6 but we do, you know, want to get an idea of the level  
7 of knowledge various candidates bring to the board. So  
8 we'll get to energy in general and Santee Cooper  
9 specifically.

10 What is Santee Cooper's current generation  
11 mix?

12 A. When you say generation mix, in terms of --

13 Q. Is that a term of art you're not familiar  
14 with?

15 A. I guess not.

16 Q. Okay. Do you know what source of fuel most  
17 of their facilities use for generating electricity?

18 A. Coal because it's the cheapest one. They do  
19 use coal.

20 Q. And do you know what other sources of fuel  
21 they use?

22 A. Coal, methane. Let's see. I have more  
23 written down. I just can't remember right offhand.

24 Q. Okay. Do you know what the relative age of  
25 their baseload plants are or is, in particular, their

1 coal plants?

2 A. Coal plants? Not really, I don't. I know  
3 that the Santee Cooper has been in existence for about  
4 75 years. And when I was given these questions --  
5 well, at the beginning of last year sometime, I didn't  
6 hear from anybody and I thought it was just finished.  
7 And just a few days ago, I got a call saying that we're  
8 going to have this hearing. And so I was sort of out  
9 of the loop.

10 Q. Okay.

11 A. I thought, you know, just one of those things  
12 and it wasn't going to happen.

13 Q. Okay. The next question I have is what the  
14 expected remaining life of their plants that are  
15 currently in operation would be. Would you have an  
16 idea of that?

17 A. Well, I do know that the company would have  
18 to do something in order to sustain the energy that  
19 they're producing at this time by, I think, 2020, which  
20 means more generation. You have to produce more  
21 generation because of the growth of the population. If  
22 they're not able to do it, we could be in a crisis.

23 Q. Okay. For the next question, I'll give you  
24 an estimate of the mix of Santee Cooper. Are they --  
25 Santee Cooper produces electricity mostly --

1 A. Okay.

2 Q. -- mostly from coal. It's roughly 80 to  
3 83 percent.

4 A. Okay.

5 Q. 10 percent from nuclear, 4 percent natural  
6 gas and then about 1 percent from hydro.

7 A. Okay.

8 Q. And then they have some landfill gas and oil  
9 facilities. So knowing that mix of generation -- well,  
10 also, they have a older or a longer remaining life of  
11 these facilities than your average facility in  
12 South Carolina. The average remaining life for a coal  
13 unit in South Carolina is 27 years, so they've got  
14 another 27 years to go on those plants. And that can  
15 change, depending on what the utility that owns the  
16 facility does with it.

17 The average for Santee Cooper is longer than  
18 that. The average remaining life for Santee Cooper  
19 coal plant is 38.7 years. And so knowing that Santee  
20 Cooper has mostly coal facilities and a long remaining  
21 life for these facilities, what do you think -- what  
22 kind of challenges does this present if the Congress  
23 were to approve measures that require us to transition  
24 to a carbon-constrained economy?

25 A. Well, I think it would be hard for Santee

1 Cooper to produce the energies that's needed for its  
2 plants if the Congress was to do that all of a sudden.  
3 I think it would be hard for them to do that.

4 Q. What impact do you think it would have on its  
5 customers?

6 A. Well, it could be that the price would be  
7 higher, if they had to use some alternatives. Okay.  
8 It definitely would be a -- because of the demand and  
9 not being able to supply that because the price would  
10 be higher.

11 Q. Could you describe, generally, who Santee  
12 Cooper's electricity customers are?

13 A. Well, the people in the area of Horry,  
14 Florence, would be -- I guess one other. Let's see.  
15 Horry, Florence -- it's just for the three counties,  
16 right? You said it was three counties, the ones that  
17 they supply to?

18 Q. Okay. And those are their retail customers.

19 A. Retail customers.

20 Q. Do you know anything about their wholesale  
21 customers?

22 A. It's spread -- I know it spreads out to other  
23 retail customers. Exactly how many, I can't remember.

24 Q. Are you familiar with the electric  
25 cooperatives in South Carolina?



1 A. No, I'm not.

2 Q. Mr. Newton, do you agree with the claim that  
3 Santee Cooper will be short on supply in 2013 if new  
4 facilities are not constructed and energy efficiency  
5 and conservation measures are not undertaken?

6 A. I think that's a possibility.

7 Q. What types of facilities do you think should  
8 be constructed by Santee Cooper?

9 A. Well, I think from what I can understand that  
10 the board has already approved to coal -- a coal  
11 facility.

12 Q. All right. The era of uncertainty facing our  
13 state and the nation is likely to be perplexing to any  
14 utility as it desires to plan 30 or 40 or 50 years out.  
15 How, generally, should Santee Cooper approach planning  
16 in this type of era we're in today?

17 A. Well, first of all, I think it's going to be  
18 hard to plan, it's not impossible, because of the  
19 unpredictability of the economy. I think that they  
20 should continue to try to plan so that they can be --  
21 be able to compete with other electrical companies. In  
22 doing that, as they are doing now, and that is keeping  
23 the rates as low as possible.

24 Q. Given the fact that it's much more expensive  
25 today to build generation than it was just even a few

1 years ago, do you favor a consortium approach to  
2 generation where utilities would join together to share  
3 the cost and risks of billion-dollar projects?

4 A. Ask that one more time, please.

5 Q. Given the fact that the cost to build  
6 generation facilities today is much more expensive than  
7 it was just even a few years ago, would you favor a  
8 consortium approach to construction of facilities where  
9 utilities would join together to share in the costs and  
10 the risks of these billion dollar projects?

11 A. I think it's good if you didn't have to go  
12 that route, but if it's going to make it better for the  
13 customers, then I think it would be feasible to do  
14 that.

15 Q. Do you know whether the joint venture with  
16 SCE&G has been successful?

17 A. I don't know.

18 Q. Do you support -- are you aware of what  
19 Santee Cooper owns with SCE&G, about their partnership  
20 in the nuclear facility?

21 A. No, I'm not aware of that.

22 Q. Do you support further investment by Santee  
23 Cooper and reliance upon nuclear generation in  
24 South Carolina?

25 A. Yes, I do.

1           Q.    Do you believe that Santee Cooper should  
2   continue with its plans to construct a Pee Dee facility  
3   in the face of the mounting likelihood of climate  
4   change legislation on the federal level?

5           A.    Well, let me put it this way, it's already  
6   been done. I mean, it's been approved by the board.  
7   If I'm a part of the board and this is good for the  
8   customers, I agree with it.

9           Q.    Okay. We've read where Santee Cooper is  
10   increasing rates for the first time in 12 years. Do  
11   you know what Santee Cooper did to prevent rate  
12   increases during that time?

13          A.    Well, I think it has a lot to do with the  
14   technology or the generations that they have on hand in  
15   order to keep it -- keep it down.

16          Q.    Do you think these new rates might stay in  
17   place for the next 12 years?

18          A.    Well, again, according to the economy, the  
19   company may be forced to even go higher. And like I  
20   said before, it's unpredictable what would happen in  
21   the future. And based on the way that this company has  
22   been doing business for years, I believe that it will  
23   continue to keep it as low as possible for the  
24   customers because this company has a record of doing  
25   that. And I feel like the customers would also

1 understand if they have to go a little higher.

2 Q. Do you know how Santee Cooper sets its rates?

3 A. No, I don't.

4 Q. Okay. So you don't know whether they use any  
5 kind of cost of service or any -- you don't know what  
6 goes on in the ratemaking analysis?

7 A. To be honest with you, I really don't.

8 Q. Do you know what steps Santee Cooper can take  
9 to expand its energy efficiency or conservation  
10 programs?

11 A. I think the first thing should -- one of the  
12 things could happen is that having the customer be  
13 aware of conservation in using the ...

14 Okay. And, of course, with modern technology  
15 coming aboard, if the company takes advantage of that,  
16 it could help as well.

17 Q. Do you have an opinion as to how the program  
18 should be funded? How would they pay for the energy  
19 efficiency or conservation programs?

20 A. Well, I hope that it would be so that it  
21 would be able to sell bonds in order to help pay for  
22 it.

23 Q. Could you briefly and generally describe your  
24 understanding of a renewable portfolio standard?

25 A. A renewable --

1 Q. Portfolio standard?

2 A. Of -- of just an individual?

3 Q. Of a utility, of an electric utility, what  
4 the electric portfolio standard is about?

5 A. No. No, I could not.

6 Q. What are your thoughts on the pursuit of  
7 alternative energy technologies?

8 A. I think that the company would have to stay  
9 on the cutting edge of -- of technology in order to  
10 stay ahead in being creative.

11 Q. Do you know what renewables are currently  
12 available in South Carolina?

13 A. No, I don't.

14 Q. Could you please generally describe the  
15 current demand side management programs that Santee  
16 Cooper has marketed to its customers?

17 A. Demand side?

18 Q. Demand side management programs.

19 A. I don't know that.

20 Q. Okay. Do you agree with Santee Cooper's  
21 decision to spend \$113 million over the next 12 years  
22 on efficiency -- energy efficiency programs?

23 A. Yes, ma'am, I do.

24 Q. And would you please describe the role that  
25 you believe could be played by public power and how

1 Santee Cooper would fit into that role?

2 A. State that one more time.

3 Q. Would you please describe the role that you  
4 believe can be played by public power and how Santee  
5 Cooper would fit within that role?

6 A. I'm not sure I can answer that.

7 Q. Okay. Okay. With respect to the qualities  
8 of board members in general and Santee Cooper, could  
9 you please just provide an overview of your view of  
10 a -- of the role of a director of Santee Cooper and how  
11 that role would be different from the management of  
12 executive staff of Santee Cooper?

13 A. Okay. The role as a director would be to  
14 carry out the policies that's made. And the role of  
15 the management -- the role of the manager would be to  
16 carry out -- to do the day-to-day activities or affairs  
17 of the business.

18 Q. Aside from annual audits by outside firms,  
19 what other types of independent expertise should a  
20 member of the board utilize in his decision making?

21 A. I think from his past experience as an  
22 independent, you know, in order to make a decision.  
23 But if the board has a company that is valid, then I  
24 think the board should examine it, but go with that.

25 Q. What's your general approach to serving on a

1 board? Are you a follower, a leader, a planner or a  
2 mix or what?

3 A. I think that I'm a mix of being in leadership  
4 position, but I also feel like you can't be a good  
5 leader unless you're a good follower. And so I think  
6 that I could do both.

7 Q. How much time do you anticipate preparing for  
8 or participating in board activities?

9 A. Well, I understand you have, what, monthly  
10 meetings, and whatever time it takes to prepare for  
11 that, once I -- you know, if I'm appointed, I will know  
12 how to arrange my time so that I would have sufficient  
13 time to prepare for the board. In my position, it's  
14 not like I'm -- I have to punch a clock. Okay. I'm  
15 more or less my own boss in a sense. So whatever time  
16 that it takes to do that, I would have that time.

17 Q. So would this time interfere with your other  
18 activities or you just stated it won't limit your  
19 other --

20 A. Right.

21 Q. -- your other activities won't limit the time  
22 you're able to --

23 A. No. Once I can get wind when the meeting is  
24 going to be and of course, again, whatever I have to do  
25 to prepare for that meeting, I can do it. As I

1 mentioned in the beginning, I'm no longer on the Sumter  
2 Family Health Center. I've been on there for nine  
3 years and of course, that would take up -- took up  
4 time, so yesterday was my last day after nine years.

5 Q. Could you briefly explain your understanding  
6 of the history of Santee Cooper and its purposes in  
7 operation.

8 A. Okay. Santee Cooper was organized to supply  
9 electricity and water to its customers, and it's been  
10 being doing it for 75 years. I think it's 75 years.  
11 And in a healthy way, in a low income way, I mean as  
12 far as buying it.

13 Q. What has been your experience with  
14 interpreting financial documents?

15 A. I've been the chair of a budget committee  
16 with a lot of help with the employees of Sumter Family  
17 Health Center. Then I've served on the budget  
18 committee. I have some knowledge.

19 Q. Okay. Are you familiar with any legal  
20 opinions or orders or agency decisions impacting Santee  
21 Cooper?

22 A. I'm not.

23 Q. Do you have any direct or indirect business  
24 relationships with Santee Cooper or any of its  
25 wholesale customers?



1 A. Not that I know of.

2 Q. And does your affiliation with any  
3 professional, civic, charitable or other similar  
4 organizations present a conflict or could it present a  
5 conflict with your appointment to the board?

6 A. No, ma'am, not that I know of.

7 Q. What would you do if a conflict did arise?

8 A. Well, first, I would let the chairperson know  
9 that we have a conflict and excuse myself from any  
10 meetings that pertain to that issue.

11 Q. Do you have any financial conflicts of  
12 interest that could result from your appointment?

13 A. No. No, ma'am. Not that I know of other  
14 than -- if you want me to explain.

15 Q. No, that's fine.

16 A. All right. Okay. I don't have any.

17 Q. Okay. Do you have any holdings in any  
18 electrical utilities or other entities that could be  
19 impacted by a decision of the Santee Cooper board?

20 A. No, ma'am.

21 Q. And do you understand the obligations and  
22 responsibilities of the position of director of Santee  
23 Cooper and what duty of loyalty or duty of care would  
24 you owe to Santee Cooper as a director?

25 A. Well, I understand that I must act in the

1 interest of the board in carrying out the policies and  
2 meeting the mission of the board, of the organization  
3 or company.

4 Q. What role should a director's ideological or  
5 political beliefs play in making the decision?

6 A. Well, I think that the director must look at  
7 the facts and make a decision not on his political  
8 view, but on what is the best interest for Santee  
9 Cooper.

10 Q. What's your opinion about the importance of  
11 board unity?

12 A. I think that's very, very important that --  
13 it's hard to do business for a company if there is  
14 disunity within the board. And so I think that's very,  
15 very important. There must be unity.

16 Q. Would you please describe your temperament.

17 A. I think that I'm calm. I can cope with  
18 criticism and still be calm. Patient with people and  
19 understanding that everybody have their own view and so  
20 that shouldn't upset me.

21 Q. If you're confirmed by the senate, what are  
22 the first three things you plan to do as a board  
23 member?

24 A. First of all, I think it's important that I  
25 learn more about the company, which I have not -- it's

1 not that I don't know, but I think it's important and  
2 I'm willing to do that and that is learn more about the  
3 company. Get to know the board members and then carry  
4 out the mission of the board.

5 Q. Have you attended any meetings of the Santee  
6 Cooper board?

7 A. No, ma'am, I haven't.

8 Q. What have you done in preparation for serving  
9 as a member of the board?

10 A. Well, I've cleared my calendar some. Of  
11 course I did that. And as I said before, when I was  
12 first approached for this, you know, I was very excited  
13 and thought things were going to happen quicker and  
14 then I didn't hear anything. That sort of just -- I  
15 put it on the back burner, and I didn't do any other  
16 investigation or studying on it.

17 Q. Okay.

18 A. To be truthful about it.

19 Q. Do you have any other brief statement you  
20 would like to make to the subcommittee concerning your  
21 desire to serve on the Santee Cooper board?

22 A. Yeah. Yes, ma'am. As I said before, there  
23 are a lot of things that I do not know about Santee  
24 Cooper, but I am willing to learn. If you check my  
25 record on the other boards that I've been on, I'm not a

1 person who starts serving and then drop out. I'm  
2 willing to do what it takes to serve on the board. I  
3 feel honored to have been asked to even get this far by  
4 the governor and of course to be interviewed by the  
5 distinguished men and women like you.

6 I feel like I could bring something to the  
7 board. And, of course, I also feel like I would learn  
8 a lot.

9 MS. COOMBS: Mr. Chairman, that's all I have.

10 SEN. RANKIN: Thank you. Mr. Ott.

11 REP. OTT: I'll ask one question.

12 BY REP. OTT:

13 Q. Thank you, Mr. Newton.

14 As you know, Santee Cooper owns Lake Marion  
15 and a lot of resources in and around. I live in  
16 Calhoun County, and we enjoy the lake. Part or most of  
17 your responsibility will be within the generation and  
18 distribution of electricity. But a small part of your  
19 responsibility would be in the management of the water  
20 resources in and around Calhoun, Orangeburg and those  
21 other counties.

22 How do you see your role as a board member as  
23 it relates -- in Santee Cooper's responsibility as it  
24 relates to those people who enjoy the water for  
25 recreation, hunting, fishing, and those business owners

1     that are located around the lake, or do you see it as  
2     part of your responsibility as a board member to be  
3     concerned about that?

4           A.    Oh, definitely.  I think that as a board  
5     member that I should be concerned about that, and based  
6     on the history of Santee Cooper and how they have  
7     treated people down through the years and customers, I  
8     think that the board will go at it in a way that most  
9     people would be pleased.

10           REP. OTT:  No other questions.

11           SEN. RANKIN:  Just a few myself.

12     BY SEN. RANKIN:

13           Q.    Are you doctor or Reverend or hey you?

14           A.    Hey you.  Marion Newton is okay with me.  I'm  
15     not hung up on titles because titles does not make the  
16     person.

17           Q.    Very good.  Depends on whether it's tithing  
18     time as to what you call your parishioners.

19           A.    That's it.

20           Q.    Just a couple, and I've asked the before and  
21     I'll ask the remaining two.  You have been reported or  
22     nominated by Governor Sanford.

23           A.    Yes, sir.

24           Q.    And have you had any conversations with him  
25     about your service and what he would like for you to do

1 as his appointee?

2 A. No, sir.

3 Q. Okay. The question about the mix earlier and  
4 you have expressed support of the Pee Dee plant and you  
5 now know, I think, the nuclear mix as well. What do  
6 you see Santee Cooper's need, to rely more on nuclear  
7 and less on coal? Do you have a position on it?

8 A. I really don't have a position on that. I  
9 feel like Santee at this point is doing the best that  
10 they can do for the customer and stay within the  
11 guidelines of the law.

12 Q. Okay. Are you familiar with the PURC Energy  
13 Policy Report? Have you looked through that by chance?  
14 Ever heard of it?

15 A. I think I've glanced through that.

16 Q. Okay. And do you remember, would that have  
17 been -- when you would have looked through that, would  
18 that have been recently?

19 A. Not recently.

20 SEN. RANKIN: Okay. All right. Thank you.  
21 I appreciate your willingness to serve.

22 THE WITNESS: Okay. Thanks very much for  
23 your time.

24 SEN. RANKIN: Yes, sir.

25 (Off the record.)

1 SEN. RANKIN: Welcome.

2 MS. PINNELL: Thank you.

3 SEN. RANKIN: We're not just waiting on us,  
4 we're waiting on other people, too. I'm Luke Rankin,  
5 and this is Harry Ott. You're going to be questioned  
6 by Heather down here on the end, but we want to welcome  
7 you here. And first order of business is being sworn  
8 in by our court reporter, Ms. Byers.

9 PEGGY H. PINNELL, being first duly  
10 sworn, testified as follows:

11 SEN. RANKIN: Very good. Heather.

12 MS. ANDERSON: Mr. Chairman and Members of  
13 the Subcommittee, Peggy H. Pinnell is a candidate  
14 seeking appointment to the Berkeley seat on the Santee  
15 Cooper Board of Directors for the term commencing  
16 May 19th, 2007, and expiring May 19th, 2014.

17 BY MS. ANDERSON:

18 Q. Please state your full name and current  
19 address for the record.

20 A. My name is Peggy Hill Pinnell. My address is  
21 1426 Dennis Boulevard, Moncks Corner, South Carolina  
22 29461.

23 Q. We have received your complete confirmation  
24 package. Are there any changes or is there additional  
25 information that you would like to provide?

1           A.    I think that's pretty accurate, Heather. The  
2           questions that you sent me the other afternoon -- when  
3           I taught school, the grades were not organized the way  
4           that they are now, so that elementary school included  
5           sixth and seventh grade. So when you asked if I taught  
6           only in elementary school --

7           Q.    That's fine. I just didn't know if there was  
8           anything that had occurred since you had submitted the  
9           package.

10          A.    Nothing of substance that I'm aware of.

11                MS. ANDERSON: Okay. I would like to place  
12           her personal data questionnaire summary in the record  
13           as Exhibit 5, please.

14                SEN. RANKIN: All right. No objection.

15                (EXHIBIT 5, Summary of Background Information  
16           for Peggy H. Pinnell, admitted.)

17           BY MS. ANDERSON:

18           Q.    We sent you a set of questions and have  
19           received your responses. If we ask you these questions  
20           today, would your answers be the same?

21           A.    Substantially, they wouldn't be in the same  
22           words.

23                MS. ANDERSON: And if we could put the  
24           questions and responses on the record as Exhibit 6.

25                SEN. RANKIN: Okay.



1 (EXHIBIT 6, Preliminary Questions, admitted.)

2 BY MS. ANDERSON:

3 Q. Would you please summarize your educational  
4 background and experience.

5 A. And by educational background, I'm going to  
6 assume you meant formal education, not what I learned  
7 playing with my older brother.

8 Bachelor's degree. Master's in education.  
9 Educational specialist. I decided I wanted to be a  
10 school superintendent. After a few years in the  
11 system, I decided that my temperament was probably not  
12 best suited for that. I was offered an opportunity to  
13 go to work for State Farm, so I did that and went to  
14 school forever, it seemed like, to acquire the licenses  
15 that they require. And since then it's sort of one  
16 seminar or one school after another, but that suits me  
17 just fine.

18 Q. Okay. What experience would you bring to the  
19 Santee Cooper board that would be beneficial to an  
20 energy utility board?

21 A. That was the question I asked when it was  
22 posed to me, what do you expect me to bring to this  
23 board. I think I have integrity. I have some  
24 knowledge of risk management having spent 26 years in  
25 the insurance industry. Some knowledge since I have

1 Series 6 and 63 licenses of financial transactions so  
2 that balance sheets and those kind of things are not  
3 foreign to me.

4 I have an interest in learning new things and  
5 I can tell you that having simply been to a few of the  
6 meetings, the learning curve is fairly steep. We need  
7 a dictionary of all the acronyms and abbreviations.  
8 That's probably all I need to say about that.

9 Q. Okay. I want to ask you a series of  
10 questions that we've asked or are going to ask each  
11 candidate. These next few questions are going to be  
12 about energy in general and about Santee Cooper  
13 specifically.

14 A. Okay.

15 Q. What is Santee Cooper's current generation  
16 mix?

17 A. Current generation mix, I love that. All of  
18 our power -- all of their power, I'm sorry, I keep  
19 including myself in the group, so far as I know is  
20 generated -- you're not asking me what fuels. Are you  
21 asking what fuels or could you just tell me the first  
22 part of that again?

23 Q. I'll read the question again, and I'll  
24 clarify, if you need me to.

25 A. Yes, ma'am.

1 Q. What is Santee Cooper's current generation  
2 mix?

3 A. They generate power with the use of coal,  
4 nuclear power, some water, some natural gas, some  
5 methane. The mix, I'm not sure I know how to answer  
6 that.

7 SEN. RANKIN: Well, what percentage of  
8 each --

9 MS. PINNELL: Okay.

10 SEN. RANKIN: -- is what we're looking for.

11 MS. PINNELL: Coal is virtually 80 percent of  
12 it, which is by far the largest part. We have some  
13 purchases from out of state, which is probably about 6  
14 percent, I think, according to the latest figures. The  
15 nuclear power, that, I think, is a little less than  
16 8 percent. As we get down into what's used -- what's  
17 produced from natural gas and methane, those are all  
18 2 percent or less. So relatively at this point small,  
19 needing to become more.

20 BY MS. ANDERSON:

21 Q. All right. What is the relative age of their  
22 baseload fleet? Coal in particular since it represents  
23 the vast majority of generation.

24 A. You know, I don't know the exact dates that  
25 the facilities were built. In the last 75 years,

1 obviously, they've come online at different times with  
2 the new, with the wind and the solar just coming online  
3 this last year. So I'm not sure that I know that  
4 particular --

5 Q. What is the expected remaining life of plants  
6 currently in operation?

7 A. I do not know that. I don't know that. I do  
8 think that one of the things we need to be concerned  
9 about is the fact that we've got a lot of aging coal  
10 plants.

11 Q. What are the challenges presented by this mix  
12 and the age of this fleet if Congress were to pass  
13 measures requiring a transition to a carbon-constrained  
14 economy?

15 A. Well, with coal, it being the most obvious  
16 fuel that we use, the board set for Santee Cooper the  
17 goal of 40 percent of non-emitting gases by 2020. I  
18 think that is very difficult simply because we don't  
19 yet have nuclear permits. There's not enough methane  
20 gas. Conservation is going to help some but not a lot,  
21 at least not immediately. We've got a lot of houses  
22 that haven't been weatherized well. Just all kinds of  
23 issues that we're going to have to address and address  
24 them fairly rapidly, I would say.

25 Q. What do you think the impact would be to the

1 customers of Santee Cooper if Congress were to  
2 implement measures that requires carbon -- or that  
3 constrains carbon?

4 A. The impact to the customer?

5 Q. Uh-huh.

6 A. Well, if the largest percentage of ours is  
7 coal fire, then obviously we're going to have lots of  
8 customers with major issues.

9 I just need to relax a little bit, so let me  
10 just tell you a little short story. I'm an insurance  
11 agent and after Hugo, I have customers -- that was 20  
12 years ago. I have customers who have been married to  
13 the same woman for 20 years and they can't tell you her  
14 birthday. But they can tell you exactly how many days  
15 they were without electricity. So I would say that,  
16 first of all, that's going to make life very, very  
17 difficult for a very, very lot of people. I don't see  
18 any way that we can make any major conversion  
19 immediately. I just can't see that. I can't see a  
20 permit happening for nuclear for eight more years  
21 maybe, maybe longer than that.

22 And in spite of the fact that I say we  
23 produce a lot of junk, I can't see the landfill  
24 stepping up to bat. And I know Santee Cooper has made  
25 a heroic effort to investigate wind use. At this

1 point, that does not seem terribly reliable. Can't get  
2 more than a class five wind with the turbines that  
3 they've experimented with, I believe, in Holland.

4 So if I go home and it's hot and the air  
5 conditioner doesn't come on, I'm not happy. I think my  
6 shrimp, a hundred pounds of which I already caught and  
7 frozen, all thaw out, I'm not going to be happy. My  
8 insurance company is not going to be happy because  
9 they're going to have to pay for that. I can't even  
10 imagine the disaster that that would produce.

11 Q. Who are Santee Cooper's electricity  
12 customers?

13 A. Specifically? I don't know if I have this  
14 one down yet, not sure. The residents mostly of  
15 Berkeley, Horry, Georgetown counties. The  
16 municipalities of Georgetown, Bamberg. 32 large  
17 industrial clients, the Air Force base, and I think 20  
18 electric cooperatives.

19 Q. Okay.

20 A. Is that close enough?

21 Q. What are the relative percentages of each  
22 group's share of Santee Cooper's sales of energy and  
23 each group of customers' responsibility for capital  
24 costs for capacity?

25 A. I do not know that. I know that's contained

1 in the financial documents, but I do not know that. I  
2 could tell you probably -- and this is where you get in  
3 trouble -- probably about -- well, let's just not go  
4 there. I'm just not sure I can relay that accurately.

5 Q. Okay. Do you agree with the claim that  
6 Santee Cooper will be short on supply in 2013 if new  
7 facilities are not constructed and energy efficiency  
8 and conservation measures are not undertaken?

9 A. If the population of South Carolina changes,  
10 and it certainly will, the projections, I think, are  
11 another million by 2025. So if we have even half of  
12 that, it wouldn't matter how many more new people we  
13 have, we're going to have some more. And people don't  
14 buy a new efficient refrigerator and throw the old one  
15 away. They put it in the garage.

16 I just can't see that -- I do not, and  
17 naturally, I've relied on documents and things supplied  
18 by Santee Cooper, I think that's allowed. I don't know  
19 any way that we could do that. I just, you know, the  
20 CFL's have helped. People buying more efficient  
21 appliances has helped. But I think that's a relatively  
22 small impact. Don't have any way to wage exactly what  
23 it is, but I just -- I have difficulty seeing us doing  
24 that without something, and I don't know what that  
25 could be other than another plant.

1 Q. What type of facility should be constructed?

2 A. I'm not an engineer. I trust Santee Cooper  
3 to have looked at all the things they are to look at.  
4 I don't know enough about smart grids of electricity to  
5 know if there are other ways we could have transmitted  
6 it to make it more efficient. At this point, I would  
7 have to say I can't see it being anything other than  
8 coal fire plant. But there again, I don't think this  
9 new plant is the big problem. I just don't think  
10 that's the -- maybe we ought to look at some of the  
11 older ones.

12 Q. Okay. So retrofitting as opposed to  
13 constructing as a possibility?

14 A. No, no, I don't think we could do that. I  
15 think there are a lot of people who are concerned about  
16 South Carolina and what happens to our waterways and  
17 what happens to the air and certainly that's a major  
18 concern. But I think that's not the new plant, if it's  
19 coal fired, and the access it should have, is not going  
20 to be a major issue. I could see we maybe need some  
21 time learning about retrofitting older plants or  
22 looking at more efficient ways in general of  
23 transmitting electricity.

24 Q. Okay. The era of uncertainty facing our  
25 state and nation is likely to be very perplexing to any



1 utility as it desires to plan 30 or 40 or 50 years out.  
2 How generally should Santee Cooper approach planning in  
3 this type of era?

4 A. Well, it's certainly uncertain, that's for  
5 sure. I would hate to be doing the budget. I think  
6 that what they have done is probably the smartest thing  
7 they could do. They've employed consultants. They've  
8 just worked on a massive land use plan to get the  
9 maximum use out of those. That makes sense to me.

10 It makes sense to me that they're going to  
11 have to continue to project costs of fuel, they they're  
12 going to have to continue to work on -- they're just  
13 going to have to stay abreast of everything that  
14 happens with new appliances, with new technologies,  
15 which I think they are doing. 30 to 40 -- that's a  
16 long time. So they're just going to have to keep on  
17 doing what they do and do it ever more vigilantly, I  
18 would say.

19 Q. Given the fact that it is much more expensive  
20 to build generation today than it was even just a few  
21 years ago, do you favor a consortium approach to  
22 generation where utilities would join together to share  
23 the costs and risks of these billion-dollar projects?

24 A. I think that's what's happening with the  
25 nuclear plant that we would like to have with SCANA,

1 and I think that's going to have to happen. Obviously  
2 now we've purchased some power from out of state, and I  
3 gather we send some out of the state. I don't think  
4 that we're going to be as able to stay inside borders  
5 as we used to be. I think we all have to cooperate a  
6 little more.

7 Q. Has the joint venture with SCE&G, which  
8 you've already referred to, been successful?

9 A. Is it completed? No. Is the permit done?  
10 No, from what I understand. Have there been some major  
11 roadblocks? Yes.

12 Q. Are you aware of any prior joint ventures  
13 between SCE&G and Santee Cooper?

14 A. I am not.

15 Q. And is future cooperation with other  
16 utilities viable, necessary or potentially profitable?

17 A. I'd say it's viable. I'd say it's necessary  
18 and I'd say it's potentially profitable. I don't think  
19 we can get along without each other.

20 Q. Do you support further investment in and  
21 reliance upon nuclear generation?

22 A. I do.

23 Q. Do you believe Santee Cooper should continue  
24 with its plans to build the Pee Dee plant in the face  
25 of mounting likelihood of climate change legislation?

1           A.   Well, I think the carbon tax, I guess that's  
2   the best thing to call it, that appears to be in the  
3   new federal budget, is certainly going to be something  
4   that's going to give us cause for pause. But I do  
5   think it's going to be a very clean plant, so if it's  
6   going to be measured in terms of emissions, I don't  
7   think that's going to be so awful.

8           Q.   Santee Cooper is increasing rates for the  
9   first time in 12 years. How does Santee Cooper prevent  
10  rate increases for that amount of time?

11          A.   By having a very smart board, by having  
12  management that pays attention. I think there was an  
13  adjustment with a fuel charge maybe that allows for  
14  some flexibility. Is there a cost change? A lot of  
15  forward thinking and a lot of good luck.

16          Q.   Could these new rates stay the same for  
17  another 12 years?

18          A.   I wish I could just say hands down yes, and  
19  obviously, I don't know enough to answer that with any  
20  degree of certainty. I just think with all the changes  
21  that we've seen with interest rates, with money, with  
22  credit, that's probably less likely.

23          Q.   Generally, can Santee Cooper continue to  
24  provide electricity at low rates?

25          A.   Low with reference to what? I have some

1 concerns that John Q. Public is sort of getting  
2 squeezed from all sides. And I think that's very, very  
3 difficult for a lot of people. But I do think that  
4 Santee Cooper is very responsible and will do  
5 everything they can to generate reliable power at the  
6 lowest cost that they can.

7 Q. How does Santee Cooper set rates?

8 A. Well, first, you're talking about a lot of  
9 things that I just don't know a whole lot about. I  
10 have been to exactly one 30-hour rating conference, so  
11 I don't know a whole lot. I know that they've used  
12 outside consulting firms. They've used the past data.  
13 And beyond that, I don't even want to get into the  
14 different block scheduling and that kind of thing. I  
15 just don't know enough about it, and I'm sorry.

16 Q. That's going to lead me into my next  
17 question. Does it establish rates based on any  
18 cost-of-service study or other empirical study?

19 A. There are tons of studies which is what  
20 they're eventually using as their cornerstone, I would  
21 say an amalgamation of all the data. They've been an  
22 awfully sharp staff.

23 Q. What steps can Santee Cooper take to expand  
24 its energy efficiency conservation programs?

25 A. I think they did an excellent job with the

1 compact fluorescent light bulbs. I think they're  
2 doing -- they've had the Good Cents program that was in  
3 effect a long, long time ago, where you could actually  
4 take your plans and have them look at them and tell you  
5 what you might do to make the house more efficient.

6 I see a lot more of that kind of thing  
7 continuing with the winterization programs,  
8 particularly with the stimulus money that I understand  
9 will go to the Office of Energy. I think Santee Cooper  
10 is all for those things. To their credit, I do not  
11 think that they are about numbers. We generated X more  
12 gigawatts of electricity, so we are the good guys. I  
13 just don't see that as being our focus at all. I think  
14 they're very responsible.

15 Q. How should these programs be paid for?

16 A. Well, isn't the standard answer they pay  
17 themselves? And eventually, they do. There's an awful  
18 lot of good will that's generated with those kinds of  
19 programs, which when rates have to change do help.

20 Santee Cooper is an organization that  
21 understands that you just -- when you can incentivize  
22 the people you're serving to conserve, and I think  
23 that's important to them. People need to see that  
24 there's a response to their behavior, a behavior  
25 modification of sorts. So I see Santee Cooper

1 continuing to do that. You can buy green power. In  
2 fact, I understand there's a golf tournament that's  
3 going to be funded with purchases of green power. I  
4 think all of those things are good things, and I see  
5 Santee Cooper continuing to do more of those.

6 Q. Okay. Briefly and generally, describe your  
7 understanding of a renewable portfolio standard.

8 A. I'm assuming that your portfolio refers to  
9 all the fuel uses that you have. And naturally, we've  
10 been through some of them, the coal, the nuclear, the  
11 natural gas, the methane. So in order to get the  
12 renewable portfolio, you have to use more of the  
13 non-gas emitting and the greenhouse fuels or the  
14 non-emitting greenhouse gases, whatever phrase I'm  
15 trying to find here.

16 So by incorporating more of those things,  
17 like nuclear, more of the landfill, more of that kind  
18 of thing, then they have more of a fuel mix coming from  
19 those.

20 Q. What are your thoughts on pursuit of  
21 alternative energy technologies?

22 A. Something that has to be done. Something  
23 that Santee Cooper is doing.

24 Q. What renewables are currently available in  
25 South Carolina?